



Kaydon Corporation  
2723 South State St.  
Ann Arbor, MI 48104

P : 734.747.7025  
W : www.kaydon.com

**STANDARD TERMS AND CONDITIONS AND FAR  
FLOWDOWNS FOR SUBCONTRACTS FOR COMMERCIAL  
ITEMS  
UNDER FEDERAL GOVERNMENT CONTRACTS**

1. **COMMUNICATION WITH BUYER'S CUSTOMER(S)**. Buyer shall be solely responsible for all liaison and coordination with its customer(s) including the U.S. Government, as it affects the applicable prime contract, this Order or any related Order.
2. **DEFENSE PRIORITIES AND ALLOCATIONS**. This Order may be a rated order under the Defense Priorities and Allocations System ("DPAS") as promulgated in 15 CFR 700. All such ratings will be indicated on the face of the Purchase Order or otherwise communicated to Seller. Seller is required to comply with the specified DPAS rating. In the event of a partial failure of Seller's sources of supply for the Products purchased, Seller will first meet all of Buyer's requirements hereunder prior to any allocation among customers. Failure to comply with the DPAS ratings is a material breach of this Order subject to immediate termination.
3. **STOP WORK ORDER**. Buyer may at any time and by written order to Seller require the Seller to stop all, or any part of, the work being performed hereunder for a period not to exceed ninety (90) days, or for such period as the Buyer and its government customer may agree under the prime contract ("Stop Work Order"). Upon receipt of the Stop Work Order Seller will immediately comply with the terms of the Stop Work Order and will take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Stop Work Order. Within the ninety day period (or such other period as agreed to between Buyer and its customer) the Buyer will either (i) cancel the Stop Work Order; or (ii) terminate the work covered as provided in the Termination provisions of the Contract. If the Stop Work Order is canceled or the ninety day period expires, the Seller shall resume work and an equitable adjustment as to cost and/or schedule shall be made in accordance with the Changes provision.
4. **BUYER IDENTITY REMOVAL**. At its own expense, Seller agrees to destroy or remove to Buyer's complete satisfaction, Buyer's corporate name, addresses, trademarks, patent numbers, and all other reference to Buyer from all Products rejected or canceled by Buyer, or purchased or produced by Seller in excess of quantities specified by Buyer, whether such Products are completed or partially completed, delivered, tendered for delivery, or undelivered, prior to disposition of such Products to parties other than Buyer; or to destroy such Products. Seller acknowledges that any sale of Products bearing Buyer's trade name and/or trademarks to any person or entity other than Buyer is an infringement of Buyer's proprietary rights in its trade name and/or trademarks and is an attempt by Seller to "pass off" Products of others as the Products of Buyer. Without first obtaining the written consent of Buyer, Seller agrees that it shall not in any manner make known the fact that Seller has furnished, or contracted to furnish, to Buyer the Products covered by this Order, or use the name of Buyer or any of its trademarks or trade names in Seller's advertising or other promotional material.
5. **ACCESS TO PREMISES-AUDIT**. Buyer shall have access to Seller's premises and records prior to or subsequent to payment to verify any charges. In addition, Seller will allow Buyer to inspect its books and records, including without limitation, any cost or pricing data, relating to the sale of the Products hereunder ordered. In lieu of Buyer inspecting such books and records, Seller may request that DCAA

audit Seller's books and records related to its performance hereunder. Access to Seller's premise will also be granted for the purposes of Buyer inspecting any Buyer or Government furnished property or equipment.

6. **ELECTRONIC DATA INTERCHANGE (EDI).** Seller agrees to comply with all EDI requirements of Buyer. These basic requirements include Release and Receiving Suite documents. These conditions are subject to change and Seller will be given notice of new requirements. If Seller is unable to meet all the implementation requirements, then the Order is subject to either termination by the Buyer, or a daily assessment of US\$50, at Buyer's option, until the requirements have been met. If Seller is unable to meet any of the EDI transaction requirements (ASN), Seller is subject to a US\$500 per occurrence charge. Seller agrees that any EDI will be deemed sufficient for enforceability under any state's statute of frauds or similar law.
7. **MATERIAL SAFETY DATA SHEETS (MSDS).** Seller will properly classify, describe, package, mark, label, and provide MSDS for approval by Buyer prior to shipment of all Products. Seller will prepare all such Products for transportation, accompanied by an approved MSDS, in accordance with all applicable local, state, and federal laws, ordinances, or regulations. Seller will defend, indemnify, and hold harmless Buyer from any claims, penalties, or damages incurred by Buyer as a result of any Products received from Seller not in accordance herewith.
8. **EQUIPMENT MAINTENANCE.** Unless otherwise agreed in writing, Seller shall furnish at its own expense, keep in good condition, and replace when necessary, all dies, tools, gauges, fixtures, and patterns necessary for the production of the Products ordered. Title to all property, including equipment, furnished at no charge to Seller by Buyer or the United States Government ("GFE") for Seller's performance of its obligations under this Contract, shall at all times vest in Buyer or the United States Government in the case of GFE, and Seller assumes all liability for any loss, damage, or shortage and/or for Seller's failure to return such property to Buyer on request. Seller shall promptly notify Buyer of any such loss, damage, or shortage
9. **CONFIDENTIAL INFORMATION.** Seller agrees not to disclose to any third party, or use, except in connection with the furnishing of the Product or service under this Order, any confidential information relating to Buyer's business, including business and marketing plans, processes, products, equipment, or trade secrets, as well as confidential information resulting from the performance of this Order. Any information not available to the public shall be considered confidential for the purposes of this Order; but should any of this information be published or otherwise made available by the public by Buyer or by third parties without breach of this Order, Seller shall be free to use for its own purposes only that information which is actually publicly available. Confidential information that is owned by the U.S. Government or in which the U.S. has the right to use and which is provided to Seller either by Buyer or by the U.S. Government under this Order and unless otherwise directed in writing, shall be used by Seller only in performance of its obligations pursuant to this Order. All rights title and interest in said confidential information shall remain with and vest in the U.S. Government. Seller will have no ownership rights in said confidential information nor shall Seller have any right to license or sublicense such confidential information without the expressed prior permission of the U.S. Government.
10. **INTELLECTUAL PROPERTY-OWNERSHIP OF MATERIALS.** All materials, including without limitation, documents, drawings, models, sketches, designs, software, computer tapes and disks, and lists furnished to Seller by Buyer or by the U.S. Government, shall remain the property of Buyer or the U.S. Government as the case may be and shall be returned promptly upon completion of the assigned project, or at any time upon written request of Buyer or the U.S. Government. Seller agrees not to make any copies of any such materials without Buyer's permission and to return any copies authorized with the original materials.

Seller agrees to communicate to Buyer all inventions, discoveries, computer programs, algorithms, technical data, copyrights and information resulting from this Order made or conceived by Seller or its employees on behalf of Buyer, solely or in collaboration with Buyer personnel during performance hereunder and they will become and remain the property of Buyer. Seller agrees that all drawings, graphics, technical analyses, models, prototypes, writings, algorithms, copyrights and other materials first conceived and reduced to practice by Seller during performance of this Order are considered to be “works for hire” and will become and remain the property of Buyer. At the request of Buyer, Seller will execute or cause its agents or employees to execute, any and all documents which Buyer may deem necessary to assign to it, its successor or assigns, the sole and exclusive right to such drawings, graphics, technical analyses, models, prototypes, writings, algorithms, and other materials, as well as to design registrations, design patents and copyrights relating thereto.

Seller agrees that neither it nor its agents or employees will sue Buyer, Buyer's customers, or its suppliers for infringement of patents, copyrights, trade secrets or other proprietary rights arising from the sale or use of the Products, processes or software utilizing the information, design, or the Products furnished by Seller pursuant to this Order. Seller further agrees that Seller will not knowingly infringe the patent, copyright, or trade secret rights of third parties in the performance of this Order and agrees to advise Buyer promptly if Seller is or becomes aware that Buyer's use of the results of this Order would violate rights of third parties.

Further, Seller represents and warrants that the sale or use by Buyer of the Products provided hereunder, in any combination, will not infringe the intellectual property rights of a third party. Seller grants to Buyer a non-exclusive, irrevocable, royalty free, perpetual and not subject to termination, worldwide right and license to use the intellectual property rights of Seller for the purposes of Buyer performing its obligations under its Prime Contract.

11. **NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA).** Seller will provide annually to Buyer by the specified due date, an accurate and complete NAFTA Certificate of Origin for those parts that qualify for NAFTA and an accurate and complete Country of Origin affidavit for all parts. The NAFTA Certificate of Origin must be completed in accordance with regulations published by the U.S. Department of Treasury in 19 C.F.R. Sec. 181.11 et seq. and any amendments thereto, and in accordance with instructions issued annually to Seller by Buyer. In the event that Seller fails to comply with this requirement, Buyer will charge back to Seller and Seller will promptly reimburse Buyer for all import duties, penalties, and taxes paid by the Buyer as a result of Seller's non-compliance. Buyer reserves the right to charge Seller a U.S. \$250 non-compliance per Product part number charge.
12. **UTILIZATION OF SMALL BUSINESS CONCERNS.** Seller agrees to actively seek out and provide the maximum practicable opportunities for small businesses, small disadvantaged businesses, women-owned small businesses, minority business enterprises, Historically Underutilized Business Zone (“HUB Zone”) small business concerns and U.S. Veteran and Service Disabled Veteran Owned small business concerns to participate in the subcontracts of Seller.
13. **GOVERNMENTAL REQUIREMENTS.** Seller agrees to comply with all applicable statutes, regulations, laws, and other Government requirements. The following FAR and DFAR provisions referenced below are incorporated herein by reference with the same force and effect as if they were given in full text and are applicable, including any notes following the clause citation, to this Order. If the date or substance of any of the clauses listed below is different from the date or substance of the clause actually incorporated in the Prime Contract referenced by number herein, the date or substance of the clause incorporated by said Prime Contract shall apply instead. *Seller shall include in each lower-tier subcontract the appropriate flow-down clauses as required by FAR and DFARs.*

## **PRESERVATION OF THE GOVERNMENT'S RIGHTS**

If PRIME CONTRACTOR furnishes designs, drawings, special tooling, equipment, engineering data, or other technical or proprietary information ("Furnished Items") which the U. S. Government owns or has the right to authorize the use of, nothing herein shall be construed to mean that PRIME CONTRACTOR, acting on its own behalf, may modify or limit any rights the Government may have to authorize the Contractor's use of such Furnished Items in support of other U. S. Government prime contracts.

**NOTES:** When interpreting the following FAR and DFAR provisions substitute the following:

- \* "Government" and "Contracting Officer" means Kaydon and/or Buyer.
- \* "Prime Contract" means the Government prime contract and/or Buyer's upper tier subcontract under which this subcontract is issued.
- \* "Contractor" means Seller.
- \* "Contract" means this Order or Purchase Order to which these terms are incorporated.

<b>52.202-1</b>	<b>Definitions</b>	<b>Jul 2004</b>
<b>52.203-3</b>	<b>Gratuities</b> (applies if this Order is expected to exceed the simplified acquisition threshold)	<b>Apr 1984</b>
<b>52.204-2</b>	<b>Security Requirements</b>	<b>Aug 1996</b>
<b>52.204-9</b>	<b>Personal Identity Verification of Contractor Personnel</b>	<b>Sep 2007</b>
<b>52.204-10</b>	<b>Compensation and First Tier Subcontract Awards</b> (applicable to all first tier subcontracts in excess of \$25,000)	<b>Oct 2015</b>
<b>52.211-15</b>	<b>Defense Priority and Allocation Requirements</b> (applicable to subcontracts at any tier)	<b>Apr 2008</b>
<b>52.222-18</b>	<b>Certification Regarding Knowledge of Child Labor for Listed Products</b>	<b>Feb 2001</b>
<b>52.222-19</b>	<b>Child Labor-Cooperation with Authorities and Remedies</b>	<b>Feb 2016</b>
<b>52.222-21</b>	<b>Prohibition of Segregated Facilities</b>	<b>Apr 2015</b>
<b>52.222-26</b>	<b>Equal Opportunity</b>	<b>Sep 2016</b>
<b>52.222-41</b>	<b>Service Contract Labor Standards</b> (mandatory flowdown for all subcontracts subject to the Act, 41 U.S.C. 351, et seq. if FAR 52.212-5 has been included in the prime contract and FAR <b>52.222-51 and -53</b> do not apply)	<b>May 2014</b>
<b>52.222-50</b>	<b>Combating Trafficking in Persons</b> (Substitute "Kaydon Contracting Representative" for "Contracting Officer" throughout this provision. In subparagraph (e) insert "Kaydon" following "Government")	<b>Mar 2015</b>
<b>52.222-51</b>	<b>Exemption from Application of the Service Contract Act Certain Equipment—Requirements</b> (Applicable to subcontracts at all tiers for exempt services under the Service Contract Act, 41 U.S.C. 351, et seq. if FAR 52.212-5 has been included in the prime contract and FAR 52.222-41 does not apply)	<b>Nov 2007</b>

52.222-53	<b>Exemption from Application of the Service Contract Act To Contracts for Certain Services—Requirements</b> (Applicable to subcontracts at all tiers for exempt services Under the Service Contract Act, 41 U.S.C. 351, et seq. if FAR 52.212-5 has been included in the prime contract and FAR 52.222-41 does not apply)	May 2014
52.222-55	<b>Minimum Wages Under Executive Order 13658</b> (Applicable when 52.222-41 applies to this subcontract)	Dec 2015
52.223-4	<b>Recovered Material Certification</b>	May 2008
52.223-11	<b>Ozone-Depleting Substances and High Global Warming Potential Hydrofluorocarbons</b> (Applicable if subcontract work is manufactured with or contains ozone depleting Substances)	Jun 2016
52. 223-18	<b>Contractor Policy to Ban Text Messaging While Driving</b>	Aug 2011
52.225-1	<b>Buy American Act</b>	May 2014
52.225-3	<b>Buy American Act—Free Trade Agreements-Israeli Trade Act (Applicable if value of subcontract exceeds\$25,000)</b>	May 2014
52.225-5	<b>Trade Agreements</b> (Applicable if the subcontract work contains other than U.S. made or designated country end products as specified in the clause)	Feb 2016
52.225-8	<b>Duty-Free Entry</b> (Applicable for subcontracts where (i) supplies identified in the Schedule to be accorded duty-free entry will be imported into the customs territory of the United States; or (ii) other foreign supplies in excess of \$10,000 may be imported in the customs territory of the United States)	Oct 2010
52.225-13	<b>Restrictions on Certain Foreign Purchases</b>	Jun 2008
52.225-25	<b>Prohibition on Engaging in Sanctioned Activities Relating to Iran – Certification</b> (applicable to all solicitations and subcontracts)	Oct 2015
52.227-3	<b>Patent Indemnity</b>	Apr 1984
52.244-6	<b>Subcontracts for Commercial Items</b>	Sep 2016
52.245-1	<b>Government Property</b> (Applicable only if the government property will be supplied to the subcontractor or the subcontractor is directed to acquire property for use under the subcontract that is titled in the Government)	Aug 2010
52.247-64	<b>Preference for Privately Owned U.S.-Flag Commercial Vessels,</b> (Applicable to subcontracts at all tiers for commercial items that are shipped in direct support of certain U.S. military operations except those subcontracts described at paragraph (e)(4) of Alternate II)	Feb 2006
252.203-7000	<b>Requirements Relating to Compensation of Former DoD Officials</b>	Sep 2011
252.203-7002	<b>Requirements to Inform Employees of Whistleblower Rights</b>	Sep 2013
252.204-7012	<b>Safeguarding Covered Defense Information and Cyber Incident Reporting</b>	Dec 2016
252.204-7015	<b>Notice of Authorized Disclosure of Information for Litigation Support</b>	May 2016
252.211-7003	<b>Item Unique Identification and Valuation</b> (applies if this subcontract requires unique identification)	Mar 2016
252.225-7001	<b>Buy America Act and Balance of Payments Program</b> (applies if supplies contain other than domestic components)	Nov 2014
252.225-7002	<b>Qualifying Countries Sources as Subcontractors</b>	Aug 2016
252.225-7012	<b>Preference for Certain Domestic Commodities</b>	Aug 2016
252.225-7021	<b>Trade Agreements</b>	Sep 2016

252.225-7048	Export Controlled Items	Jun 2013
252.244-7000	Subcontracts for Commercial Items	Jun 2013
252.246-7003	Notification of Potential Safety Issues	Jun 2013

**FOR SUBCONTRACTS THAT EXCEED \$10,000 THE FOLLOWING CLAUSES ALSO APPLY:**

<u>52.222-36</u>	<b>Affirmative Action for Workers with Disabilities</b> (mandatory flowdown unless exempted by rules, regulations or orders of the Secretary of Labor)	July 2014
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**FOR SUBCONTRACTS THAT EXCEED \$30,000 THE FOLLOWING CLAUSES ALSO APPLY:**

<u>52.209-6</u>	<b>Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment</b> (does not apply to COTS items)	Oct 2015
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**FOR SUBCONTRACTS THAT EXCEED \$150,000 THE FOLLOWING CLAUSES ALSO APPLY:**

52.203-12	<b>Limitation on Payments to Influence Certain Federal Transactions</b>	Oct 2010
52.203-17	<b>Contractor Employee Whistleblower Rights and Requirements to Inform Employees of Whistleblower Rights</b>	Apr 2014
52.219-8	<b>Utilization of Small Business Concerns</b> (Applicable to subcontracts at any tier)	May 2004
52.222-35	<b>Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans</b> (Applicable unless exempted by rules, regulations or orders of the Secretary of Labor)	Oct 2015
52.222-37	<b>Employment Reports on Veterans</b> (Applicable unless exempt by rules, regulations or orders of the Secretary of Labor)	Feb 2016
52.222-54	<b>Employment Eligibility Verification</b>	Oct 2015
52.222-40	<b>Notification of Employee Rights Under the National Labor Relations Act</b>	Dec 2010
252.225-7008	<b>Restriction on Acquisition of Specialty Metals</b>	Mar 2013
252.225-7009	<b>Restriction on Acquisition of Certain Articles Containing Specialty Metals</b>	Oct 2014
252.225-7016	<b>Restriction on Acquisition of Ball and Roller Bearings</b>	Jun 2011

**FOR SUBCONTRACTS THAT EXCEED \$5,500,000 THE FOLLOWING CLAUSES ALSO APPLY:**

**52.203-13**

**Contractor Code of Business Ethics and Conduct** (Applicable to subcontracts or purchase orders where the period of performance is more than 120 days)

**Oct 2014**

END OF DOCUMENT